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MILK MARKET INFORMATION BULLETIN
CHATTANOOGA, TENNESSEE MARKETING AREA

February 1965

Number 7

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Federal Order No. 90, 5916 Brainerd Road, Chattanooga, Tennessee 37411
J. B. McCroskey, Market Administrator

MARKET SUMMARY FEBRUARY 1965

The MINIMUM uniform producer price is \$4.59 per cwt. f.o.b. Chattanooga Area pool plants for milk containing 3.5% butterfat. The producer butterfat differential is 7.2 cents for each one-tenth of one percent above or below 3.5 percent. (It is reported the Chattanooga Area Milk Producers Association will pay a blend price of \$4.88 for milk testing 3.5 percent)

During February, 82.5% of the total producer milk was priced in Class I at \$5.00 per cwt. with a butterfat differential of 7.5 cents and 17.5% in Class II at \$2.80 per cwt. with a butterfat differential of 6.7 cents. The daily average use of Gross Class I milk increased 1.0% compared with January 1965 and increased 0.5% compared with February 1964.

Daily average delivery of milk from producers was 591,247 pounds in February 1965, a decrease of 5,694 pounds per day compared with January 1965 and an increase of 57,692 pounds compared with February 1964. Percentage-wise, February deliveries decreased 1.0% compared with January 1965 and increased 10.8% compared with February 1964.

HOW MILK IS PRICED UNDER A FEDERAL ORDER

Milk is priced under a classified price plan. This plan (1) divides milk received by handlers into classes according to the use they make of the milk and (2) provides an appropriate minimum price to be charged to dealers for milk in each class. Thus a handler pays one price for the milk which he sells for consumption in whole fluid form and a lower price for the reserve milk which he sells in other uses.

The classified price plan recognizes that it is more costly to produce and market milk for sale for fluid uses than it is to produce milk primarily for manufacture into such products as butter, cheese, and evaporated milk. This is true because (1) additional expenditures must be made on milk for fluid uses in order to comply with the rigid sanitary standards which apply to such milk and (2) milk for fluid uses must be transported in whole fluid form over relatively long distances on a very rapid daily schedule.

The plan also recognizes that despite such additional expenditures, all the milk produced for fluid uses will not be sold for consumption in fluid form. As previously pointed out a well supplied market requires a daily reserve supply of fluid milk to take care of daily fluctuations in demand. Any excess above market daily needs under the classified price plan is converted into manufactured dairy products so as not to be wasted. This milk is given a lower price when utilized in manufactured dairy products.

In general, milk sold for consumption in fluid form which is subject to local sanitary standards is placed in one class. This class may include fluid milk, fluid cream and certain byproducts such as flavored milk drinks. Milk in this class receives the highest price in the market, the price being commensurate with the cost of producing and marketing this milk. Milk delivered to the market in excess of sales in the highest priced class is placed in a separate and lower priced class. The price of this milk is at a level commensurate with its value when converted into manufactured dairy products.

COMPARISON OF GROSS MILK RECEIPTS AND UTILIZATION

	% Feb. '65 Over Feb. '64	Feb. 1965	Jan. 1965	Feb. 1964
Number of Plants (Pool and Non-Pool)		12	12	13
<u>GROSS RECEIPTS POUNDS (DAILY AVERAGE)</u>				
Producer Milk	+ 10.8	591,247	596,941	533,555
Other Source	+ 25.2	14,198	14,517	11,339
Other Order	- 9.7	27,870	23,894	30,873
Total Milk Receipts	+ 10.0	633,315	635,352	575,767
<u>GROSS UTILIZATION POUNDS (DAILY AVERAGE)</u>				
Class I Uses:				
Fluid Milk	- 0.7	408,750	404,142	411,585
Fluid Skim	- 9.6	22,202	23,407	24,568
Buttermilk	- 7.5	41,744	43,034	45,115
Flavored Milk and Drink	- 4.9	11,046	10,883	11,610
Fluid Cream (Sweet and Sour)	- 9.5	2,671	2,605	2,953
Other (Shrinkage, Inventory, etc.)		576	762	556
Transfers to Non-Pool Plants		12,984	10,191	1,106
Total Class I Milk	+ 0.5	499,973	495,024	497,493
Class II Uses:				
Ice Cream Mixes		29,076	29,467	13,823
Cottage Cheese		20,296	18,200	23,062
Powdered and Condensed Milk		28,348	45,850	19,133
Livestock Feed and Skim Dumped		5,555	5,763	4,131
Shrinkage Class II		8,237	9,079	8,324
Other (Butter, Inventory, etc.)		1,387	14,605	(1,506)
Transfers to Non-Pool Plants		40,443	17,364	11,307
Total Class II Milk	+ 70.4	133,342	140,328	78,274
Total Class I Pounds in Area	+ 3.8	301,471	299,624	290,567
Total Class I Pounds Outside Area	- 4.1	198,502	195,400	206,926
Gross Class I Butterfat Pounds	+ 2.1	18,002	17,756	17,634
Gross Class II Butterfat Pounds	+ 30.6	8,117	8,291	6,216
Total Butterfat Pounds	+ 9.5	26,119	26,047	23,850
% Producer Milk of Gross Class I		118.3	120.6	107.2
% Producer Milk priced in Class I		82.5	82.0	92.1

MARCH 1965 CLASS I MINIMUM PRICE COMPUTATION INCLUDING SUPPLY-DEMAND ADJUSTMENT

	Mar. '65	Feb. '65	Mar. '64
Basic Formula	\$3.22	\$3.25	\$3.16
Plus Class I Differential	1.75	1.75	1.75
Supply-Demand Adjustment	0.00	0.00	0.16
Class I Price, 3.5% Butterfat	\$4.97	\$5.00	\$5.07
Per \$ 1090.51(a)			
Supply-Demand Comparison: 1st and 2nd preceding months: January and February			
Supply: Lbs. Producer Milk (Jan. 18,505,164 and Feb. 16,554,914)			35,060,078
Demand: Lbs. Net Class I Milk (Jan. 15,215,904 and Feb. 13,896,939)			29,112,843
Utilization Percentage: Producer milk divided by Class I			120
Standard Utilization Percentage: Range 117-121			120
Net Deviation Percentage: Utilization minus Standard Utilization			-0-
Supply-Demand Adjustment: 2 cents x 0 percentage points			\$0.00

The price is not adjusted by the supply-demand formula, since the supply in relation to the demand is within the standard utilization range of 117-121.

COMPUTATION OF PRODUCER UNIFORM PRICE TO BE USED FOR PAYMENT
OF PRODUCER MILK AND OTHER SOURCE RECEIPTS PRORATED TO CLASS I

FEBRUARY 1965	Class %	Milk Pounds	Butterfat Test - %	Cwt. Price @ Test	Value
Gross Class I		13,999,236	3.601		
Less Other Source		346,328	3.219		
Producer Milk Class I	82.5	13,652,908	3.610330	\$5.082748	\$693,942.91
Gross Class II		3,733,594	6.088		
Less Other Source		831,588	2.650		
Producer Milk Class II	17.5	2,902,006	7.072659	5.193682	150,720.96
TOTAL PRODUCER MILK (Cl.I + Cl.II)	100.0	16,554,914	4.217261		844,663.87
Less Fractional Adjustment					.06
Add Value of Other Source Receipts Prorated to Class I and Location Adj.		43,630			1,667.72
Add $\frac{1}{2}$ Producer-Settlement Fund Reserve					8,133.39
TOTAL VALUE AT TEST		16,598,544	4.211249	5.147831	854,464.92
Less Test over 3.5% @ 7.2¢ per point		16,598,544	.711249	0.512099	85,000.98
TOTAL VALUE AT 3.5%		16,598,544	3.5	4.635732	769,463.94
Less Producer-Settlement Fund Reserve		16,598,544		.045732	7,590.85
PRODUCER UNIFORM PRICE f.o.b. POOL PLANTS		16,598,544	3.5	\$4.59	\$761,873.09

FEBRUARY 1965 MINIMUM PRODUCER PRICES CWT. f.o.b. CHATTANOOGA POOL PLANT (0-65 Mile Zone)
BUTTERFAT DIFFERENTIAL 7.2¢ PER POINT (EXCLUDES PREMIUMS)

TEST	PRICE	TEST	PRICE	TEST	PRICE	TEST	PRICE	TEST	PRICE
3.0	\$4.23	3.6	\$4.662	4.2	\$5.094	4.8	\$5.526	5.4	\$5.958
3.05	4.266	3.65	4.698	4.25	5.13	4.85	5.562	5.45	5.994
3.1	4.302	3.7	4.734	4.3	5.166	4.9	5.598	5.5	6.03
3.15	4.338	3.75	4.77	4.35	5.202	4.95	5.634	5.55	6.066
3.2	4.374	3.8	4.806	4.4	5.238	5.0	5.67	5.6	6.102
3.25	4.41	3.85	4.842	4.45	5.274	5.05	5.706	5.65	6.138
3.3	4.446	3.9	4.878	4.5	5.31	5.1	5.742	5.7	6.174
3.35	4.482	3.95	4.914	4.55	5.346	5.15	5.778	5.75	6.21
3.4	4.518	4.0	4.95	4.6	5.382	5.2	5.814	5.8	6.246
3.45	4.554	4.05	4.986	4.65	5.418	5.25	5.85	5.85	6.282
3.5	4.59	4.1	5.022	4.7	5.454	5.3	5.886	5.9	6.318
3.55	4.626	4.15	5.058	4.75	5.49	5.35	5.922	5.95	6.354

MILK SAMPLES TESTED - Producer Fresh Samples 5,386 - Handler Finished Products 230.

ANNOUNCED 1965 PRODUCER BASES

The average daily bases that producers established during the months of September 1964 thru January 1965 were announced by the Market Administrator during February 1965. Any producer who established a base but did not receive a base notice should contact the office of the Market Administrator.

PRODUCER ANNOUNCED BASES - FOUR YEARS COMPARISON

Base Range Pounds	1965 Number of Producers	1964 Number of Producers	1963 Number of Producers	1962 Number of Producers	Base Range Pounds	1965 Number of Producers	1964 Number of Producers	1963 Number of Producers	1962 Number of Producers
0- 99	2	4	2	0	700- 799	61	47	51	50
100-199	24	20	15	20	800- 899	51	52	44	47
200-299	34	49	51	64	900- 999	46	38	45	35
300-399	48	66	71	94	1000-1499	129	112	109	103
400-499	73	92	82	85	1500-1999	46	40	24	26
500-599	69	70	86	98	Over-2000	31	20	20	10
600-699	62	73	63	52	Total Prod.	676	683	663	684

CHATTANOOGA ORDER MILK PRICES (3.5 PERCENT MILK)

Date	PRODUCER UNIFORM PRICES ^{1/} Per Hundredweight				HANDLER CLASS PRICES ^{1/}			
	Uniform	Base	Excess	Bf.Dif.	Class I		Class II	
					Cwt.	Bf.Dif.	Cwt.	Bf.Dif.
Feb. '64	\$4.78	-	-	7.4¢	\$4.98	7.5¢	\$2.82	6.7¢
Mar.	4.77 ^{2/}	\$4.92	\$2.71	7.4	5.07	7.5	2.75	6.7
Apr.	4.72 ^{2/}	4.97	2.65	7.4	5.08	7.5	2.69	6.7
May	4.63 ^{2/}	4.89	2.62	7.2	5.07	7.5	2.66	6.7
June	4.78 ^{2/}	5.00	2.62	7.4	5.19	7.5	2.66	6.7
July	4.72 ^{2/}	4.99	2.62	7.4	5.16	7.5	2.66	6.7
Aug.	4.51	-	-	7.2	5.05	7.5	2.66	6.8
Sept.	4.60	-	-	7.6	4.80	7.7	3.26	7.1
Oct.	4.71	-	-	7.8	4.87	8.0	3.23	7.0
Nov.	4.83	-	-	7.8	5.10	7.9	3.30	7.2
Dec.	4.75	-	-	7.8	5.10	8.1	3.18	6.8
Jan. '65	4.66	-	-	7.4	5.06	7.7	3.12	6.7
Feb.	4.59	-	-	7.2	5.00	7.5	2.80	6.7
Mar.	-	-	-	-	4.97	7.5	-	-

PRICES USED IN DETERMINING CLASS PRICES AND BUTTERFAT DIFFERENTIALS

Date	CLASS II ALTERNATIVE FORMULAS \$-cwt-3.5%		PRICE QUOTATIONS			BASIC FORMULA	
	4 Tenn. Milk Mfg.	Butter Powder	4 Tenn.	Chi.92°	Chi.Area	Minn.-Wisc.	Mfg.Grade Milk \$-cwt-3.5%
			Milk Mfg. \$-cwt-4%	Butter ¢ Lb.	Powders ¢ Lb.		
Feb. '64	2.82	3.12	3.150	57.97	14.24		3.16
Mar.	2.75	3.12	3.081	57.97	14.25		3.15
Apr.	2.69	3.12	3.025	57.97	14.19		3.12
May	2.66	3.12	3.000	57.97	14.22		3.12
June	2.66	3.12	3.000	57.97	14.24		3.11
July	2.66	3.12	3.000	58.00	14.23		3.12
Aug.	2.66	3.19	3.000	59.51	14.30		3.15
Sept.	2.72	3.26	3.075	61.32	14.30		3.24
Oct.	2.77	3.23	3.119	60.47	14.29		3.27
Nov.	2.79	3.30	3.150	62.27	14.23		3.29
Dec.	2.81	3.18	3.150	59.24	14.20		3.29
Jan. '65	2.81	3.12	3.144	58.00	14.23		3.25
Feb.	2.80	3.12	3.138	57.99	14.27		3.22

SUMMARY OF RECEIPTS AND USE (DAILY AVERAGE POUNDS)

Date	HANDLER GROSS MILK 3/			PRODUCER DATA 3/				Deliveries Per			Prod. Milk Test
	No.	Total	Class I	Class I	Total	Base	No.	Farm-----Pounds			
	Hdlrs.	Receipt	Use	Use	Delivery	Delivery	Prod.	Prod.	Base	Exc.	
Feb. '64	13	575,767	497,493	491,469	533,555	-	683	781	-	-	4.24
Mar.	13	578,062	476,604	472,818	533,163	498,683	678	786	736	50	4.15
Apr.	13	611,874	485,721	481,865	556,173	499,659	658	845	759	86	4.05
May	13	624,657	467,902	464,241	558,588	497,049	654	854	760	94	3.95
June	13	584,658	452,652	449,792	530,133	482,237	655	809	736	73	3.91
July	13	575,476	449,846	445,827	536,759	476,599	655	819	728	91	3.91
Aug.	13	635,915	465,231	460,229	591,239	-	685	863	-	-	3.94
Sept.	13	655,234	549,204	544,006	618,771	-	683	906	-	-	3.99
Oct.	13	612,364	542,789	537,353	579,109	-	682	849	-	-	4.24
Nov.	13	614,949	507,098	501,079	577,284	-	680	849	-	-	4.24
Dec.	12	609,776	496,019	489,978	577,562	-	681	848	-	-	4.29
Jan. '65	12	635,352	495,024	489,397	596,941	-	679	879	-	-	4.21
Feb.	12	633,315	499,973	487,604	591,247	-	676	875	-	-	4.22

^{1/} Excludes Premiums^{2/} For Statistics Only^{3/} Other Source is Gross minus Producer; Class II is Receipts minus Class I